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**NEWS RELEASE**

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**PSC PROMOTES MORE EFFICIENT USE OF ELECTRIC FACILITIES**  
*Electric utilities ordered to develop real-time pricing for large customers*

FRANKFORT, Ky. (Dec. 21, 2006) – Kentucky’s electric utilities should make more efficient use of existing generation and transmission facilities through programs that tie the cost of electricity to the time of day it is used, the Kentucky Public Service Commission (PSC) says.

In an order issued today, the PSC directed electric utilities to develop voluntary real-time pricing pilot programs for large industrial and commercial customers. The pilot programs will be used to test the viability and effectiveness of such programs, the PSC said.

“Sending price signals that shift usage to times of lower demand can make better use of existing infrastructure and defer the need for new facilities,” PSC Chairman Mark David Goss said. “That can help contain costs over the long term.”

Today’s order is the product of the PSC’s consideration of two standards set forth in the federal Energy Policy Act of 2005 (EPACT 2005): smart metering and interconnection. The PSC decided against mandatory adoption of either standard.

“The Commission finds that the combination of Kentucky’s low rates for electricity, the significant costs and the uncertainty of benefits do not support the need for mandated smart metering standards at this time,” the PSC said in today’s order. “It does appear, however, that certain aspects of demand response programs and time-based pricing are not only practical but economically feasible at this time and should be further explored.”

Smart metering is based on setting electric rates that rise or fall depending on the varying costs of providing service at different times.

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In today's order, the PSC noted that many electric utilities in Kentucky have initiated programs aimed at conserving energy, particularly at times of peak demand. Large industrial and commercial customers operate under rate plans that include prices based on when the electricity is used and whether the customer can be required to limit usage. Residential customer programs generally are focused more on limiting demand through methods such as allowing a utility to remotely switch off air conditioners for brief periods on very hot days.

The PSC urges utilities with such conservation programs "to consider greater promotion of their benefits and minimal costs and strongly encourages those utilities without these types of programs to study the practicality of introducing a residential load management program."

Smart metering is intended to encourage energy conservation during times of peak demand, when the costs of providing electricity typically are highest. If rates are set to reflect the higher costs, customers may reduce usage or shift it to periods when costs are lower.

Such time-based rate setting requires the use of meters that can track consumption based on time of day.

Smart metering also includes demand response, which is the use of other rate-related methods to encourage customers to reduce usage during times of peak demand. For example, large users may enter into agreements that call for their service to be curtailed under certain conditions in exchange for lower prices at other times. Many Kentucky utilities already offer such programs.

However, the PSC found that a mandatory real-time pricing program for residential customers is not warranted at this time. It is questionable whether such programs would be cost-effective, the PSC said, adding that past efforts to offer time-of-day pricing for residential service have attracted few customers.

"But we should not foreclose the possibility of offering real-time or time-of-day pricing for residential customers," Chairman Goss said. "Once we see how well the pilot program for commercial and industrial customers is working, the Commission may want to again explore offering such pricing to residential ratepayers."

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The second standard addressed in today's order relates to engineering rules and conditions for electric generating facilities located on utility customer property that are connected to the local electric distribution grid. This interconnection standard generally is intended to apply to generating facilities of 10 megawatts or less, such as small hydroelectric facilities, solar panels or windmills that may produce more power than the user needs.

Kentucky's utilities all have interconnection rules that are specific to their circumstances. Utilities testified that, although the EAct 2005 standard is a good starting point, it alone is not sufficient and does not address every safety or reliability issue related to interconnection.

The PSC concurred and opted not to adopt a single statewide standard. However, the EAct 2005 standard should serve as the core for utility-specific standards, the PSC said.

A proceeding to consider EAct 2005 provisions addressing standards for fuel source diversity and fossil fuel generation efficiency will be opened at a later date.

Today's order, as well as other case documents, can be found on the PSC Web site, which is [psc.ky.gov](http://psc.ky.gov). The case number is 2006-00045.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

**-30-**